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**John W. Kure**  
Executive Director - Federal Policy and Law

*Ex Parte*

May 22, 2002

Marlene H. Dortch, Secretary  
Federal Communications Commission  
445 12th Street, SW, Room TW-A325  
Washington, DC 20554

Re: Cost Review Proceeding for Residential and Single-Line Business Subscriber Line Charge (SLC) Caps – CC Docket Nos. 96-262, 94-1

Dear Ms. Dortch:

Yesterday, Craig Brown and I met with Matthew Brill, legal advisor to Commissioner Abernathy, and later with Jordan Goldstein, legal advisor to Commissioner Copps, to discuss the pending increase to the subscriber line charge caps. The subjects as shown in the attachment were discussed.

Pursuant to FCC Rule 1.49(f), this Ex Parte is being filed electronically via the Electronic Comment Filing System for the inclusion in the public record of the above referenced dockets pursuant to FCC Rule 1.1206(b)(2).

Sincerely,

John W. Kure

cc: Matthew Brill, Jordan Goldstein (all via email)

Attachment

**CC Docket Nos. 96-262, 94-1**  
**Cost Review for Residential and Single-line Business SLC Caps**

- Qwest's forward looking cost studies justify the cap increase.
- On a company-wide basis the cost was \$7.00 per line and the aggregate CMT/line is \$6.40 per line.
- While this varies by study area (Qwest has study area specific SLCs) the overall picture justifies the increase in all study areas.

	<u>CMT/Line</u>	<u>Forward Looking</u> Cost/Line
<u>Arizona</u>	6.70	7.27
Colorado	7.46	6.64
Idaho-north	7.70	12.65
Idaho-south	6.32	8.48
Iowa	4.82	7.08
Minnesota	4.89	6.66
Montana	7.51	10.21
Nebraska	5.56	7.29
New Mexico	7.76	8.24
North Dakota	7.10	8.45
Oregon	6.77	7.60
South Dakota	6.39	9.00
Utah	6.41	5.45
Washington	5.91	5.64
Wyoming	9.64	10.91
Weighted Average	6.40	7.00

(Does not include Thousands Block Number Pooling recovery)

- In four of the study areas the CMT/line will not allow the SLCs to increase to \$6.00. With a cap of \$6.50 three additional study areas will be constrained at the CMT/line
- As acknowledged by the Commission, the Synthesis Model was developed for allocating high cost support and is not appropriate for other purposes. The model is strictly theoretical and does not take the particular cost aspects of a study area into account.

- A comparison to UNE loop rates is also very misleading because of the variations in determining forward looking costs in each state. Also some states are setting rates low to 'jump start' competition.
- The Commission wanted Qwest to improve service. It has. Qwest made gross additions to Plant in Service of \$4.6 billion in 2001 and \$4.7 billion in 2000 compared to \$3.0 billion in 1999. The associated cost recovery should not be thwarted.
- Qwest's Common Line rate of return has dropped from 10.97% for 2000 to 9.34% in 2001.
- Not allowing the caps to increase and/or reducing other revenue flows such as PICC will have a detrimental affect on Qwest.
- The Commission should endorse the existing CMT rules by allowing the primary residential and single line business SLC caps to increase to \$6.50.